

# The “Everyone Deserves a Shot” Initiative

## P.G. Sittenfeld’s Proposal to Reduce Student Loan Debt

*“At the heart of the American Dream is the promise of a good education, the key to opportunity for this generation and the next. Washington is letting down our students and graduates, and it’s going to take new leaders with bold ideas to fix the problem.”*

**- P.G. Sittenfeld**

## The Need for Affordable College Education

A college education is vital for many Americans as they look to achieve their dreams and compete in the global economy of the future. Unfortunately, the astronomical cost of higher education today, and the mountain of student loan debt our students take on to cover the costs, means that our students must spend years paying back that dream. With interest rates on student loans at unmanageably high levels, recent graduates must choose between investing in their communities or making the rent. This debt is holding back these graduates from reaching their potential, and it is holding back our country’s economic recovery.

The federal government controls many of these loans, and it’s past time that the government’s actions reflect the values of the people it represents and support students looking to continue their education. There is no excuse for the federal government to allow students to drown in debt. The college class of 2014 graduated with an average of \$33,000 in student loans – the highest ever. Student loan debt is one of the most expensive liabilities held by Americans – now estimated at \$1.2 trillion.

The good news is there are common sense steps we can take to solve this problem. Lowering interest rates for students will result in savings of billions of dollars, making it easier for recent graduates to pay back their student loan debt, giving them the flexibility to make a down payment on their first home, and reinvest those savings in the economy.

P.G.’s “Everyone Deserves a Shot” Initiative is a series of educational policy proposals to take bold action. This first proposal aims to tackle the growing student loan debt problem by reducing the cost of loans and making four-year college more accessible financially. P.G.’s proposal would slash student loan interest rates by as much as 71%. In addition, the proposal would encourage low-income students to seek a four-year degree by providing one year of federal loan forgiveness upon completion of their degree, encouraging and rewarding graduation.

These common sense steps would have an enormous impact on recent graduates and the future of our economy. The federal government should be in the business of promoting education – not mortgaging students’ future. P.G.’s proposal would do much to correct this problem by boosting the

number of college graduates while making it easier for these graduates to compete in the new, global economy.

The federal government should be working for students and empowering our recent graduates to innovate and succeed, not burdening them with unmanageable student loan debt. By allowing debt holders to refinance their existing student loan debt, we will help build a new, more equitable system of education for the future. In the new, interconnected marketplace where graduates must compete for the best jobs and talent, it is more crucial than ever before that we give our students the resources they need to succeed.

## **The Promise of Better Opportunity**

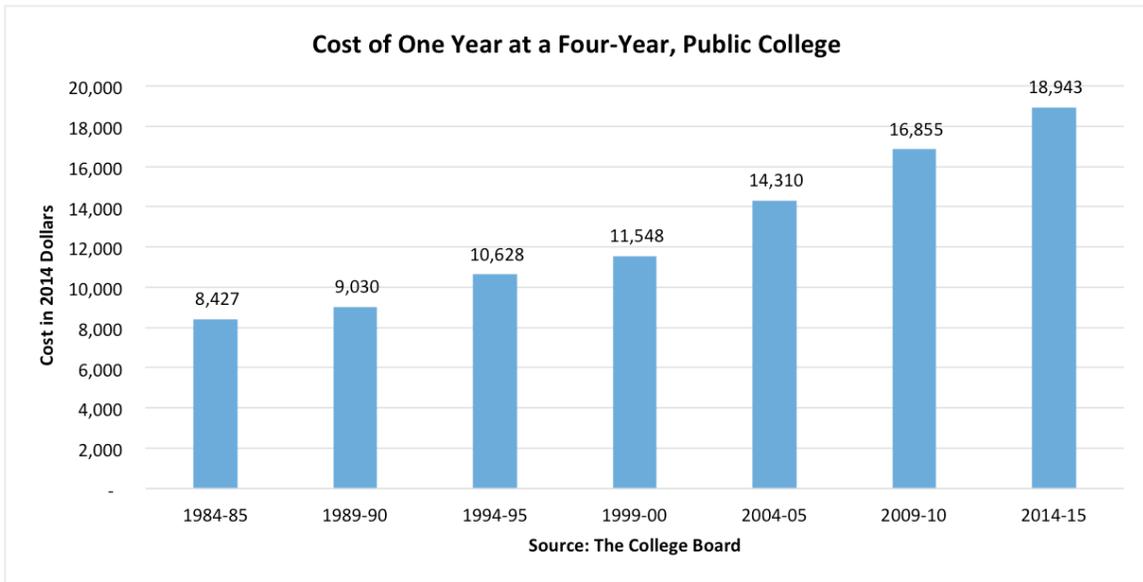
Education has always been central to the American Dream: the promise that if you work hard, you can achieve anything. Unfortunately, the skyrocketing cost of student loan debt means that when millions of Americans should be building their careers, starting their families and pursuing their dreams, they are being held back. With the recovery finally beginning, we cannot afford to let this debt hinder these students, and we cannot afford to let it saddle our economy.

P.G.'s parents instilled in his three sisters and him the value of education at an early age. Getting a ride to school every day with his mother, who was also his teacher, P.G. knew firsthand the power of education to change lives. Today, unfortunately, instead of boosting opportunity for those who need it most, our system of higher education has exacerbated existing inequalities and become prohibitively expensive for too many families.

P.G. believes that this is wrong. Before becoming an elected leader, P.G. worked at an education non-profit dedicated to turning schools into round-the-clock hubs bustling with community partnerships, including after-school programming, adult education, and health resources. He has spent his time in public office making government work for the people it represents. P.G. believes we must change the current paradigm so that the federal government helps encourage the pursuit of higher education for the middle class. If we want to build a strong, dynamic 21<sup>st</sup> century economy, we must start with education. P.G.'s proposal seeks to restore the promise of a great, affordable education to American families and invest in the economy of tomorrow.

## **College Is More Expensive Than Ever Before**

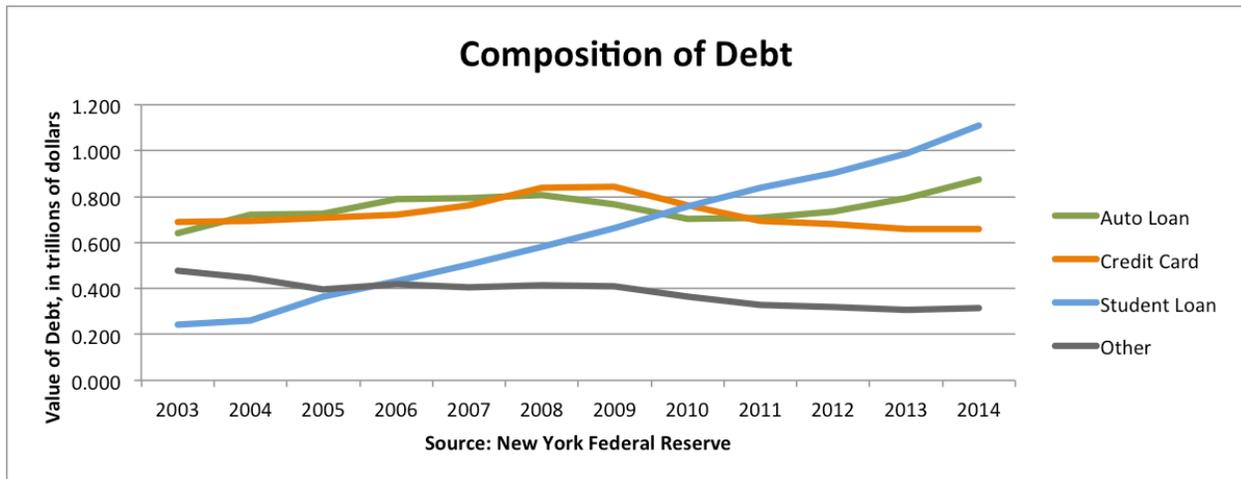
Over the past few decades, as the price of college has far outpaced the cost of inflation, state legislatures have voted again and again to strip funding for public colleges, making higher education even harder to reach. The federal government's student loan program has grown to bridge this gap, but high interest rates on federally backed student loans mean that students must spend years paying them back.



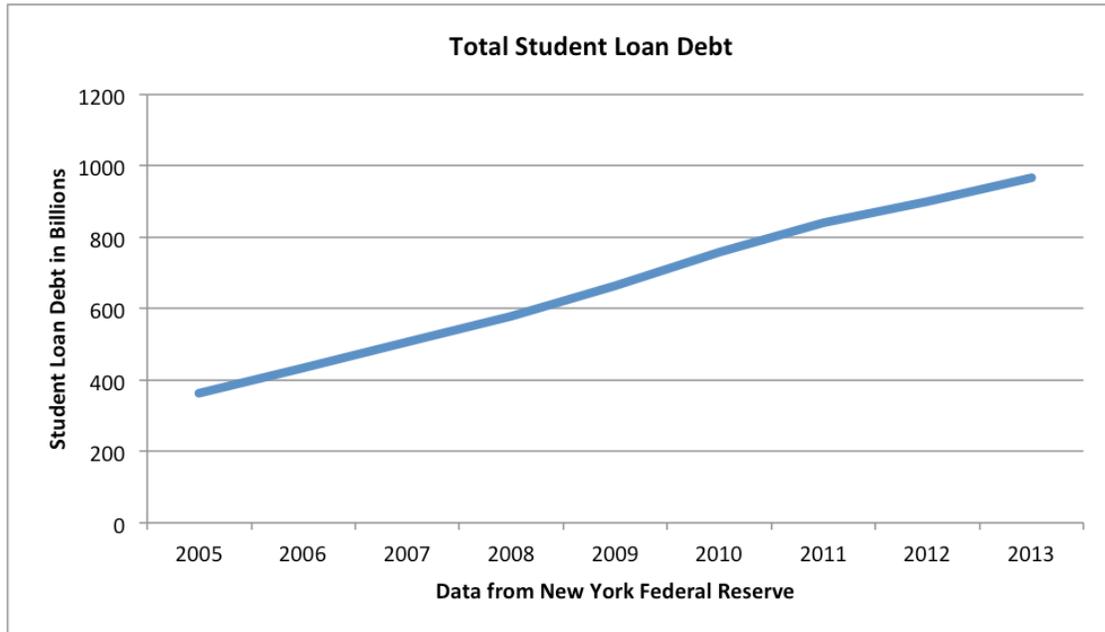
As a result of high interest rates, the federal government generates billions of dollars each year from student loans interest payments. This represents a major burden of recent graduates, who are taking on tens of thousands of dollars in debt to graduate from higher education institutions.

## The Challenge Facing Middle- and Low- Income Students

High interest rates are a barrier of entry for recent college graduates into the middle class. These rates are stifling opportunity at a time when recent graduates are desperately seeking to earn steadier incomes with more take-home pay.

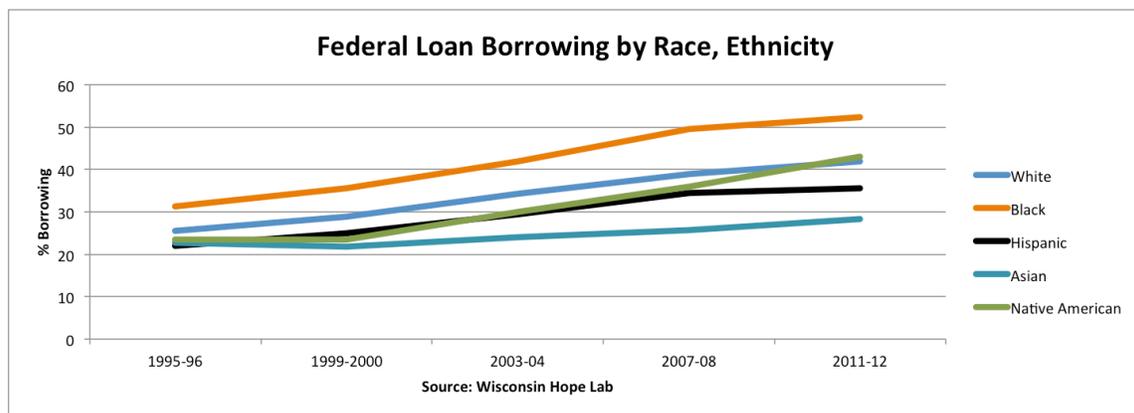


As the country emerged from the worst recession since the Great Depression, student loan debt kept growing, as graduates entered an economy with stagnating wages and job prospects. Estimates for current total student loan debt now exceed \$1.2 trillion.



As the cost of college has increased dramatically, two thirds of students rely on student loans to pay for public four-year colleges.

This disproportionately affects students of color, who are more likely to come from low-income families and be among the first in their families to attend college. Their increased likelihood of using student loans to pay for their education makes them among the worst affected by exorbitant interest rates.



Bachelor’s degree recipients earn twice as much as those whose education ends with high school degrees; estimates for college graduates’ additional lifetime earnings range from \$300,000 to \$600,000. Yet, fewer than one out of ten students from low-income communities receive a Bachelor’s degree by the age of 26. We can and should make sure we are providing ladders of

opportunity to reach the middle class instead of placing a mountain of debt on the backs of students looking for the chance to achieve their dreams.

## The “Everyone Deserves a Shot” Initiative

P.G. believes that it is necessary to take bold action to broaden access to higher education for young Americans. This student loan debt proposal, as part of a series of educational policy proposals called the “Everyone Deserves a Shot” Initiative, will strengthen the middle class and make college more affordable by slashing interest rates on federally backed student loans by as much as 71% and providing student loan forgiveness to low-income students upon completion of their degree. This would translate to savings of billions of dollars for current holders of student loan debt.

This proposal contains two primary elements: (1) reducing interest rates on existing federal student loan debt and (2) forgiving one year of student loan debt for Pell Grant recipients upon completion of a four-year degree at a public institution.

### **1. Reducing Interest Rates on Existing Student Loans**

By reducing interest rates on existing student loan debt for students who received federal loans in the past five years, we will substantially reduce the crushing burden of student loan debt for recent graduates who emerged from college in the Great Recession. P.G. proposes to:

- Reduce interest rates to 2% for all recipients of subsidized federal loans who graduated with a four-year college degree since 2009.
- Reduce interest rates to 3% for other federal loan recipients who graduated with a four-year college degree from public institutions since 2009.

This proposal will reduce the burden for more than nine million students who have graduated from public, four-year colleges across the country since 2009. Almost seven in ten of Ohio’s 2013 college graduates left school with student loan debt, averaging over \$29,000 per student, and the vast majority of those students graduated from public institutions with federal loans. This proposal will allow them to refinance their student loan debt with lower, more manageable interest rates and put money directly back in their pockets.

### **2. Forgiving One Year of Federal Loans for Pell Grant Recipients upon Completion of a Four- Year Degree at a Public Institution**

This initiative will provide one year, up to \$12,500, of federal student loan forgiveness to Pell Grant recipients upon their completion of a four-year degree, improving affordability of higher education and increasing retention rates and completion rates among low-income students, many of whom are students of color.

Enacting this proposal would mean that more low-income students will graduate into higher-paying jobs with less debt and with up to \$12,500 more in their pockets. Graduates who received Pell Grants, most of whom had annual family incomes under \$30,000, are much more likely to take out federal student loans to help pay for school. Among 2012 graduates who ever received a Pell Grant, 88% had student loan debt, with an average of \$31,200 per borrower. This proposal would bring down post-college student loan debt burdens for these hardworking students from low-income homes who graduated with four-year degrees from public institutions.

These are the steps our federal government should take to make college more affordable for students and former students who carry student loan debt. This proposal is consistent with our values, promotes more affordable higher education, and will help build our 21<sup>st</sup> century workforce and economy.

## **Next Steps**

U.S. Senators on both sides of the aisle already know that student loan interest rates are too high. This is why they lowered interest rates for future students under the Bipartisan Student Loan Certainty Act, but this is only a short-term solution for a problem that will continue to hurt this generation, future generations and our economy.

P.G. will work with likeminded senators from both parties to pass a bill to bring down the existing, crushing student loan debt and allow debt holders to refinance their federal loans to these lower rates, down to 2% for subsidized loans and 3% for unsubsidized loans. In addition, it forgives one year, up to \$12,500, of federal student loans for all Pell Grant recipients who complete four-year degrees at public institutions of higher education.

P.G. would push for the full cost of this proposal to be covered by implementing the Buffet Rule, which ensures that millionaires and billionaires don't pay a lower effective tax rate than the middle class.

PAID FOR BY SITTENFELD FOR SENATE